

Message Text

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ACTION NEA-09

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 2755

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E.O. 11652: N/A

TAGS: EINV EGEN EG

SUBJECT: DEVELOPMENTS ON THE BANKING FRONT

REF: CAIRO 1477

FROM MAESTRONE

1. AS YET CHASE NATIONAL BANK IS NOT IN BUSINESS. CHASE MANHATTAN OFFICIALS REMAIN OPTIMISTIC THAT MINOR OBSTACLES THAT STILL REMAIN (WORDING OF TECHNICAL SERVICES AGREEMENT, AUTHORIZATION FROM CENTRAL BANK, PRESIDENTIAL APPROVAL, ETC) WILL BE RESOLVED IN NEAR FUTURE. TWO MORE EXPATRIATE EMPLOYEES ARE SCHEDULED TO ARRIVE SOON AND COMPANY IS STILL BUSILY SEARCHING FOR ADDITIONAL OFFICE SITES. ALL OTHER JOINT VENTURES ARE STILL IN EARLY STAGES OF ORGANIZATION AND ARE NOT READY TO CONSIDER ACTIVE OPERATIONS.

2. COMMENT: CHASE REPS ARE SOMEWHAT MORE SUBDUED AS PASSAGE OF ALMOST TWOMONTHS SINCE VISIT OF DAVID ROCKEFELLER HAS FAILED TO PRODUCE VISIBLE FORWARD PROGRESS. IN CONVERSATIONS WITH OFFICIALS FROM CENTRAL BANK AND NATIONAL BANK OF EGYPT
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(LATTER IS PARTNER WITH CHASE IN JOINT VENTURE), EMBOFFS HAVE RECEIVED

FAIRLY CLEAR INDICATIONS THAT GOE HAS DECIDED TO MAKE MAJOR DECISIONS INVOLVING RESTRUCTURING OF ENTIRE BANKING SYSTEM BEFORE PERMITTING CHASE NATIONAL TO BEGIN OPERATIONS.

3. LOCAL PRESS CONTINUES TO DEVOTE CONSIDERABLE ATTENTION TO BANKING SUBJECT, REPORTING ON MEETINGS IN PEOPLE'S ASSEMBLY AND NATIONAL COUNCIL FOR PRODUCTION AND ECONOMIC AFFAIRS TO DISCUSS THE RULES AND FUNCTIONS OF THE CENTRAL BANK AND THE COMMERCIAL BANKS. AMONG RECOMMENDATIONS BEING CONSIDERED ARE:
A) PERMITTING COMMERCIAL BANKS TO HANDLE FULL RANGE OF ECONOMIC ACTIVITIES, INSTEAD OF BEING LIMITED TO SPECIFIC SPHERES OF ACTIVITY,
B) RESTRICTING DEALINGS OF ALL PUBLIC SECTOR ORGANIZATIONS TO PUBLIC SECTOR BANKS, I.E. THOSE WHICH ARE NOT JOINT VENTURES,
C) LIMITATIONS ON ISSUING PERMITS FOR ESTABLISHING NEW BANKS IN ORDER TO AVOID CREATION OF WEAK BANKS AND TO REDUCE COMPETITION FOR AVAILABLE EGYPTIAN EXPERTS, AND D) ESTABLISHMENT OF DEFINITE RULES COVERING RELATIONSHIP BETWEEN SALARIES OF FOREIGN AND EGYPTIAN WORKERS IN THE BANKING SECTOR.

4. MAJOR REVISIONS IN BANKING OPERATIONS WHICH WILL BE CAUSED BY EVENTUAL ENTRANCE OF FOREIGN BANKS INTO DOMESTIC SCENE IS CLEARLY SUBJECT WHICH WAS NOT CAREFULLY CONSIDERED IN EARLY STAGES OF ENTHUSIASM OF OPEN DOOR POLICY. DIRECT QUESTIONS AS TO WHEN CHASE NATIONAL WOULD OPEN ITS DOORS LED ONE SENIOR NATIONAL BANK OFFICIAL TO SUGGEST THAT SEPT WAS NO UNREASONABLE ESTIMATE. EMBASSY DOUBTS IT WILL TAKE THAT LONG BUT FINAL PERMISSION IS APPARENTLY NOT IMMINENT.
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